

Oversight of the need for and use of Universal Service funding is necessary but:

For Rural ILECs, information required and reporting requirements should be streamlined, or the Corporate Operations Cap should be raised. There was a significant cost per-line for the July 1, 2012 filings ranging from \$3 to \$97/line. Section 54.313 requires much additional information in future filings.

Areas that appear unnecessary for Rural ILECs and that could be streamlined are:

- 54.313(a)(1) – 5 years build out plan
- 54.313(a)(3) – Requests for unfulfilled service
- 54.313(a)(8) – Holding Co/Affiliate information
- 54.313(a)(11)(f)(1)(i) – Information on reasonable steps to provide service
- 54.313(a)(11)(f)(1)(ii) – Newly provided service to anchor institutions
- 54.313(a)(11)(f)(2) – Annual Financial Report

Rural ILECs have been providing quality service for many years, upgrading their networks and providing service when requested. This information is necessary for ETCs that have not been providing service to their rural areas, but is unnecessary for Rural ILECs that have a proven track record of providing quality services to their customers.

Providing unnecessary reporting is a burden both for Rural ILECs and the Federal and State Agencies that must review it.

- The Commission should use its resources to target where reporting is necessary – ETCs serving rural high-cost areas where broadband service has not been provided.

The Regression Caps as now implemented, possible FNPRM changes and the capped HCLF are causing uncertainty regarding future revenues

Inability to predict available revenues is:

- Deterring additional capital investment and job creation,
- Raising concerns about the ability to pay existing loans for investments already made, and
- Impacting the ability to consolidate where possible in order to operate more efficiently.

To provide more certainty:

(A) The regression caps should be modified to:

- Begin only after the deficiencies in the current model are rectified.
- Apply to prospective CAPEX, not to investments already made as of July 1, 2012.

(B) The FNPRM should be delayed until the effects of the current changes can be evaluated.

(C) The existing HCLF cap should be either eliminated; or revised to eliminate the line component and replace it with an inflation adjustment.

The Contribution Mechanism must be revised to provide a contribution from all services that utilize the network

- All services including advanced services that could not be provided without the network must contribute.
- To achieve the Commission's goals regarding broadband penetration and speed, the Commission should establish a contribution methodology and percentage that will increase revenues available to provide broadband for all rural areas.
 - Some increase is reasonable in view of the fact that, over time, service providers will no longer be required to pay for their use of the network via intercarrier compensation fees.